

Message Text

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ACTION EA-13

INFO OCT-01 SS-14 ADP-00 AID-10 IGA-01 NSC-10 NSCE-00 L-02

PM-03 DODE-00 CIAE-00 INR-10 NSAE-00 RSC-01 EB-03

AGR-03 COME-00 TRSE-00 CIEP-01 OMB-01 CEA-01 PRS-01

OPR-01 OPIC-01 RSR-01 /078 W
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R 131105Z JUL 73

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC 4560

C O N F I D E N T I A L SAIGON 12661

LIMDIS

JOINT STATE/AID MESSAGE

E.O. 11652

TAGS: EGEN, VS

SUBJECT: GVN ECONOMIC POLICY

PASS COOPER, NSC

1. DURING THE LAST 10 DAYS OR SO, THERE HAVE BEEN INCREASING SIGNS OF AN ATTEMPT ON PART OF CERTAIN GVN ELEMENTS TO BRING ABOUT MAJOR SHIFT IN ECONOMIC POLICY. THE ADVOCATES OF CHANGE ARE APPARENTLY A LOOSE COALITION WHOSE MEMBERSHIP INCLUDES PRESIDENTIAL ASSISTANT HOANG DUC NHA, MINISTER OF PLANNING LE TRAN ANH, MINISTER OF AGRICULTURE GAO VAN THAN, SPECIAL ASSISTANT TO THE PRESIDENT FOR PLANNING TRAN DAI TRUNG, NEDF CHIEF DR. NGUYEN VAN HAO, BUDGET DIRECTOR LUU VAN TINH, AND UNIDENTIFIED MILITARY AND SECURITY OFFICIALS AT THE PALACE. THE OPPOSITION TO CHANGE COMES FROM MINECON NGOC AND MINFIN TRUNG, WHO NOW APPEAR RATHER ISOLATED AND ON THE DEFENSIVE. THE POLICY SHIFT ADVOCATED IS DESCRIBED BY NGOC AS "POPULIST". IT WOULD TAKE GVN SEVERAL STEPS AWAY FROM FREE MARKET, OPEN ECONOMY POLICY WHICH HAS BEEN CONSTANT THEME HERE FOR LAST THREE YEARS.

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2. SPECIFIC POLICY PROPOSALS PUT FORWARD INCLUDE THE FOLLOWING:

A. TO AVOID GVN MONEY WAGE INCREASE AND INSTEAD DISTRIBUTE SUBSIDIZED COMMODITIES THROUGH THE CIVIL AND MILITARY COMMISSARIES.

B. TO INSTITUTE WIDESPREAD NEW PRICE CONTROLS AND RATIONING OF ESSENTIAL GOODS.

C. TO BAN VARIOUS FORMS OF LUXURY CONSUMPTION.

D. TO TAKE OVER RICE DISTRIBUTION SYSTEM FROM THE CHINESE MERCHANTS AND PLACE IN HANDS OF NEW GVN AGENCY.

E. TO RESCIND THE VALUE-ADDED TAX.

F. TO INSTITUTE AN ECONOMIC BLOCKADE OF ENEMY-CONTROLLED AREAS.

G. TO RESTRICT FOREIGN INVESTMENT BY PROHIBITING THE ENTRY OF FOREIGNERS TO VARIOUS OCCUPATIONS AND INDUSTRIES.

3. IN MEETINGS OF THE NEW NATIONAL COUNCIL ON RECONSTRUCTION AND DEVELOPMENT, THESE IDEAS HAVE BEEN GENERALLY SUPPORTED, WITH ONLY NGOC AND TRUNG RESISTING. THE POPULARITY OF THE PROPOSALS STEMS NO DOUBT IN PART FROM PERSONAL AMBITIONS ON PART OF INDIVIDUALS WHO WOULD LIKE TO TAKE OVER NGOC AND TRUNG JOBS. HOWEVER, THE RECENT WAVE OF PRICE INCREASES, UNEMPLOYMENT IN THE CITIES, AND CONFUSION ABOUT THE VALUE-ADDED TAX ARE ALL CONTRIBUTING FACTORS.

4. NGOC HAS ATTEMPTED TO GAIN TIME BY OFFERING TO PREPARE A PACKAGE

OF MEASURES WHICH WOULD "TAKE INTO CONSIDERATION- ALL THE VIEWS BEING EXPRESSED. HE TOLD US HE BELIEVES HE MUST YIELD ON SOME POINTS IN ORDER TO KEEP OFFICE AND PREVENT A GENERAL CHANGE OF POLICY. HIS PRESENTATION WAS MADE TO THE NATIONAL COUNCIL AT MEETING CHAIRED BY PRESIDENT THIEU JULY 12. NGOC ARGUED AT LENGTH ON THEME THAT ONLY REAL WAY OUT OF PRESENT ECONOMIC DIFFICULTIES WAS EXPANSION PRIVATE SECTOR OUTPUT THROUGH INVESTMENT AND INCREASED PRODUCTIVITY.

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ARGUED ALSO FOR MONEY WAGE INCREASE ON GROUNDS EFFICIENCY AND EQUITY. MEETING LASTED FROM 9:00 AM TO 3:00 PM (MARATHON MEETINGS SEEM TO BE HALLMARK OF NATIONAL COUNCIL).

5. DECISIONS AT THE MEETING, WHICH NGOC REGARDS AS GENERALLY FAVORABLE, INCLUDE FOLLOWING:

A. A MONEY WAGE INCREASE PROBABLY OF 25 PERCENT WILL BE

ANNOUNCED WITHIN 10 DAYS.

B. SIMULTANEOUSLY, GVN WILL ANNOUNCE SOME SORT OF PRICE CONTROL EFFORT, AIMED AT KEY COMMODITIES. EXACT NATURE OF THIS EFFORT WILL BE DETERMINED BY A SPECIAL INTER-MINISTERIAL COMMITTEE.

C. RICE WILL BE SUBJECT OF A SPECIAL PROGRAM AIMED AT IMPROVING STORAGE, MILLING, AND DISTRIBUTION. KEY POINT WILL PROBABLY BE PROGRAM TO CONSTRUCT GVN-OWNED BULK STORAGE FACILITIES FOR LEASE TO PRIVATE SECTOR.

D. MILITARY AND CIVILIAN COMMISSARIES WILL BE "STRENGTHENED" AND WILL SELL WIDER RANGE OF GOODS AT "REASONABLE" PRICES. DETAILS TO BE WORKED OUT. MINECON THINKS THAT THIS CAN BE KEPT WITHIN BOUNDS.

E. NO RESTRICTIONS WILL BE PLACED ON FOREIGN INVESTMENT.

F. PRICES OF POL PRODUCTS AND SUGAR WILL BE RAISED AT SAME TIME AS WAGE INCREASE. INCREASES WILL BE IN LINE WITH MINECON RECOMMENDATIONS.

6. MEETING DECIDED TO ACCEPT PETROLEUM BID DECISIONS OF THE PETROLEUM BOARD AND THESE WILL BE ANNOUNCED SHORTLY.

7. ALSO DECIDED TO TAKE OVER THE UNFINISHED MILITARY BANK BUILDING ON NGUYEN HUE STREET AND PUT IN IT MOST GVN AGENCIES CONCERNED WITH FOREIGN INVESTMENT; E.G. INVESTMENT SERVICE CENTER, EXPORT DEVELOPMENT CENTER, PETROLEUM BOARD. APPLING

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